TRENDS | **Ten Hot Categories: Foods/soft drinks; household cleaners**

Convenience drives chains' grocery sales

There's a simple reason why grocery products, especially candy, snacks, beverages and convenience items, are one of the fastest growing categories in today's drug stores.

They need frequent replenishment. Today's time-harassed customers appreciate the convenience of picking up consumables in their neighborhood drug stores.

They can shop a drug store in less than 10 minutes. It takes half an hour, on average, to get in and out of a food store.

This year, buyers say candy and snacks are still their fastest growing grocery categories, up over 20 percent on a same-store basis in many cases.

Soft drink and juice sales are also up dramatically, thanks to an expansion of cold soft drink programs as well as to tremendous feature activity in these categories.

Convenience food sales are up, generally between 10 percent and 15 percent on a same store basis in the stores that stock them.

Walgreens has been the most aggressive chain with this category, putting c-food departments into almost two-thirds of all new stores and adding it selectively to existing stores in the right markets. Its current total: about 550 c-food departments.

However, SupeRx, Eckerd, Perry, Arbor, Osco, Longs, Thrift, Thrifty, Snyder Drug and many smaller chains like Best Buy Drug in Florida and Bill's in California, all have c-food departments. Most are expanding them whenever they find the right locations.

"Convenience foods are a viable category for us and we do very well with it," says David Coleman who supervises that program for Cincinnati-based SupeRx. "We constantly experiment with new planograms and update them to take advantage of changing trends. For stores in populated markets without close competition from food stores, we have steady growth."

"We're more and more satisfied with our convenience food departments," says Snyder's president Don Beeler. "We hired someone from the convenience store industry two years ago to oversee the program . . .it's coming along well." Snyder now has eight stores with convenience foods out of 62 in the chain.

The two C's — convenience and consumability — are driving increases in the food/snacks and beverage categories in drug stores today.

At Arbor, vp-purchasing Dennis Wosniak says about 25 of Arbor's 100 stores have convenience food sets, and it's all been "plus business" for the chain. Arbor's c-food sales are averaging 10 to 15 percent increases per year, and Wosniak says they will continue to add c-foods to their mix whenever they find the right location.

Chains today have learned the high-margin advantages of having cooler programs for soft drinks and juices as well as cold cases for ice cream, milk and a careful selection of dairy, deli and convenience-prepared meals. Almost every major chain now has coolers, even bantams such as Rite Aid, CVS and Duane Reade.

In fact, most drug chains today talk about a snack section, not just a snack department. At SupeRx, candy and snacks get 80 to 90 feet year-round.

Anna Iacono, who buys candy for Douglas Drug in North Providence, R.I., says that consumers seem to be buying more candy and snacks than ever before, especially at Halloween, Christmas and Thanksgiving.

Among the best sellers in recent months have been novelty items from companies like Amural, Topps and Leaf; baseball cards and collector sets from companies like Leaf, Topps and Fleer; and seasonal chocolates from companies like Palmer and Bartz.

M&M/Mars has been successful with its new Bounty bar, and Hershey has done an excellent job with Symphony, buyers say.

In snacks, buyers say corn chips are especially hot this year, as are bagged popcorns, microwave popcorn and single serve packs of any kind of chip.

Nabisco crackers are also doing well, as are cookies from Sunshine, Keebler and others. "If it's a candy or snacking item it will sell," says Coleman.

Drug chains take a shine to household cleaners

Chain drug merchandisers have taken a shine to household cleaning supplies, ranking the category among the top 10 in the second annual *Drug Store News*' Hot Categories Survey.

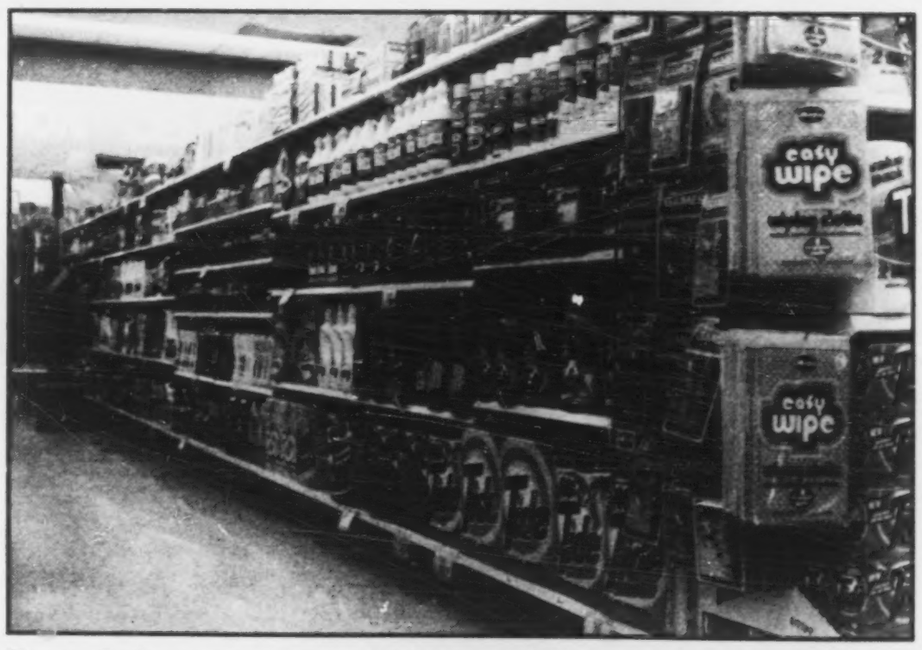
'Prepricing stands out as a perceived bargain among our customers,' said one buyer.

The category — soaps and detergents, laundry additives, specialty cleaners, deodorizers, disinfectants, polishes, and waxes—is expected by retailers to tally $10 billion in sales this year, an anticipated 10- to 15-percent dollar growth rate. Merchandisers told *Drug Store News* they are taking advantage of prepricing, advertising, and new product introductions.

Prepricing is a factor that has been successful at both Happy Harry's in Delaware and Quick Chek Food & Pharmacy stores in New Jersey. Tom Cutonilli, seasonal buyer at Happy Harry's, said, "Prepricing stands out as a perceived bargain among our customers," he said.

Analia Cooper, buyer/merchandiser at Quick Chek, agrees, but added that larger-sized prepriced cleaning products have shown the greatest growth rate at this operator of convenience, and food and pharmacy chains. "We've found that if we bring in the supermarket sizes prepriced, our customers are willing to trade up," she said.

Cooper explained that the 64-ounce Tide would have to be sold at $5.99 just to make a marginal profit, but the company knows the product will sit on the shelf. "Preprice it at $2.99, and customers are willing to buy it," she said.



Drug chains, expecting a 10-percent dollar growth rate in household cleaning supplies this year, are taking advantage of manufacturing prepricing to compete with supermarkets.

Buyer John Weith at Bartell Drugs in Washington reported "better than normal" growth in household cleaning supplies, based on consumer responses to the chain's advertising. "There is more of an awareness with people buying these products in the nonfoods segment of drug stores, making for a heavier demand and a faster turnover rate," he said.

This category is advertised five to seven times a year, and is given an average linear space of 32 feet in most Bartell stores. Weith usually displays sale items on endcaps, and said that liquid dishwashing detergents like Ivory and Joy sold well. Sales of automatic liquid dishwashing detergents were "bleak," said Weith, but Cascade powder for dishwashers is a continual bestseller.

Retailers also mentioned Tide with bleach, Glass Mates, Glass Plus, Clorox's new Fresh Scent and Lemon Scent formulas, and anything with a potpourri scent, as strong movers at press time.

Number of household cleaning products introduced annually since 1985*

1985	194
1986	132
1987	158
1988	142
1989	160

*Includes general and special purpose cleaners and disinfectants, floor, wood and metal care products, toilet cleaners, rug shampoos, deodorizers and air fresheners, leather and suede cleaners, and cleaning accessories.

Source: Marketing Intelligence Service

"The fastest growing category for new products in 1989 was special purpose cleaners. They offer improved cleaning performance for bathroom and kitchen surfaces and for glass. This more focused approach for development may signal a change from the previous trend of developing individual cleaners with a broader spectrum of cleaning benefits." — **Richard Lawrence**, president, Marketing Intelligence Service.

Ten Hot Categories: Skin care, eye/lens care TRENDS

Aging population, regimen awareness foretells booming growth for skin care

The skin care category is booming. And retailers and marketers agree that the trend is only going to get hotter in the '90s. They say that three segments of the overall category — sun care; bath/shower; and facial and hand/body care — have the best prospects for the coming decade.

In a survey to choose the '90s hottest categories, chain drug merchants this year forecast growth between 5 and 15 percent for the overall category.

Part of this growth will result from the expansion of the high end of the skin care market, according to a study by Packaged Facts, a New York-based research firm. But buyers interviewed by *Drug Store News* had their own reasons why these segments will be hot.

Growth of as much as 15 percent is forecast in '90 for facial skin care. Above, a display at a Sedanos discount drug store in Miami.

Sun care

The sun care segment of the skin care category was a "hot" one for the second consecutive year. Dale Rogers, director of H&BA at Drug Emporium, predicted sun care will have at least a 5- to 15-percent growth in 1990, just because '89 sales were flat at the Ohio-based deep discounter.

"We had good growth in 1988, and with the bad weather we experienced in 1989, sales will definitely have to rebound in 1990," Rogers said. He predicted the growth will come mainly from suncreens. Rogers said the chain "will go more in depth" in the category this year, carrying more inventory of the higher SPFs.

Terry Lehman, Peoples' H&BA buyer, attributed the awareness of skin protection advancement to its growth, making the category "more technically suited to drug stores."

He said the Virginia-based chain plans to offer a broader mix in 1990, and continue to build a program that separates suntan products from sun protection products.

Buyers have high hopes for facial skin care

Buyers cited facial skin care as a segment that will prove a winner this year. Elaine Sartini, director of cosmetic marketing at American Drug Stores, said, "The biggest jump in 1990 in skin care will be the facial skin care segment, with a sales growth between 8 and 15 percent," she said.

Sartini attributed this growth to two factors — the aging population and their awareness of proper facial skin care regimens, and the atmosphere of consultation plus convenience at drug chains. "The early part of the 1980s focused on self-service in drug stores, but in the '90s we'll see more emphasis on drug store cosmeticians consulting with the skin care consumer," she said.

American Stores is capitalizing on skin care's perceived growth by merchandising skin care with both cosmetics and H&BA, and placing POP booklets and handouts throughout the cosmetics department. "In districts that are heavily cosmetically oriented, POP materials are placed at the cosmetic checkout, so cashiers can automatically put them into their bags," Sartini said.

One retailer from a Midwest-based chain reported a perceived sales growth of as much as 20 percent for the skin care category. "One segment that is definitely growing is the 'hand and nail' portion of skin care," he said.

"Many manufacturers are coming out with products specifically formulated to strengthen nails and smooth hands," he said, and feels "hand and nail" may eventually break out into a segment of its own.

Bath and shower segment

While merchants reported a perceived 5- to 10-percent sales growth in bath and shower sales last year, buyers told *Drug Store News* that they'll just have to wait and see how this category fares.

Rogers of Drug Emporium did admit that new product entries are streaming into the category, making it more competitive than it once was. However, he said expected sales gains of 10 percent are "a little ambitious." Drug Emporium typically devotes 12 to 16 feet to bath/shower, and doesn't plan to change this in 1990.

American Stores' Sartini said that bath and shower is "an up-and-coming segment," and the chain recently installed a new planogram for its bath products. "In some of our stores, the category has been expanded to 18 feet," she said, with the average store giving 12 to 16 feet to bath products. The expansion has occurred mainly in the warmer Western states of Arizona and California, where skin care sales have shown an accelerated growth rate.

Projected growth: face, hand and body lotions and creams

(Sales in millions of $)

Year	Sales	% change
1992	$2,113	7%
1991	1,979	6
1990	1,868	5
1989	1,774	5
1988	1,693	4
1987	1,631	—

Source: Packaged Facts

For lens care's loyal customers, what the doctor says, goes

Brand-loyal consumers and doctors who recommend brand-specific contact lens care products are expected to pump up sales of that category 10 to 15 percent annually, to reach nearly $276 million by 1990.

Last year alone retailers saw a 12-percent increase in eye care/lens care product sales, and, according to some retailers, there is only growth in the category's future. "This category just goes up and up, and it's going to get better," said Norman Klein, buyer for Rockbottom Stores in New York.

Klein and others agree that it is essentially high brand loyalty that drives the category's growth. "The consumer usually follows what the doctor suggests," he said. "There are those who will walk on their own, but it's a slow erosion."

Steve Dubin, a buyer at Douglas Drug of Rhode Island, says he sees less brand loyalty with salines. "They're basically the same and we're seeing a lot of private label brands — everyone is making them and they seem to be selling," he said. "But we still see some loyalty with the daily cleaning solutions, catalysts and other items. The customers stick with these through thick and thin, unless their doctor tells them to switch."

Consumers toe the line

Most buyers believe product proliferation leads consumers to "stay in line" with physician recommendations. "There are so many products, so many different systems, that sometimes it's hard for even pharmacists to know exactly what the consumer needs," Paige Ilderton, buyer for Kerr Drug Stores said. "They go with what their doctor tells them."

Although most chains devote 6 feet to 10 feet of gondola space to eye care products, some chains like Douglas Drug and South Dakota's Lewis Drug Stores have found it necessary to expand category space to accommodate product proliferation.

Retailers agree that brand loyalty, springing from doctors' recommendations, drives lens care's growth.

"It's one of our top growing categories," said Jan Stoffers, OTC buyer at Lewis, which devotes 16 feet to eye care. At Douglas, footage is growing to 12 feet, up from 8 feet.

Heavy brand loyalty has prompted manufacturers to do more advertising in the constant battle for retail shelf space. Chains are using manufacturers' freestanding inserts and promotions in addition to their own advertising. Most chains reported that they include at least one eye care/lens care brand item in major advertising blitzes.

TRENDS

Ten Hot Categories: Diet aids; cough/cold

Red-hot meal replacement sales give the diet aid category a boost

What happens when a new product tastes good, works as it's supposed to and receives nationally broadcast kudos from well-know TV personalities?

If its Thompson Medical's Ultra Slim Fast meal replacement diet product, it kicks the retailing equivalent of a game-winning 50-yard field goal.

Drug chain merchandisers say their diet aid category sales soared — doubling or even tripling — after Thompson in mid-year launched Ultra Slim Fast, an upgraded, better-tasting version of its seven-year-old Slim Fast.

As a result of Slim Fast's sales growth, the meal replacement segment eclipsed appetite suppressants, which continued to weather bad press on phenylpropanolamine, said to cause nervousness and palpitations in some individuals. Yet, suppressants, some buyers said, sustained growth, led by Thompson Medical's Dexatrim, which has gained prominent shelf space at many stores.

According to Harold Verschleiser, Thompson's sales director, factory shipments of Slim Fast increased 600 percent in 1989, from 60 million to 360 million.

Because of Thompson's success, other vendors are readying new meal replacement products for 1990 launches.

Nature's Bounty, the vitamin maker, said it would ship by early January its Slim Quick thick shake products formulated as gender specific.

CCA, after its Eat 'N Lose items posted 400-percent sales growth in 1989, will unveil this year an improved thick shake, an ice cream product, and launched this month its fiber-packed Crunch snacks in five flavors, said David Edell, president.

NutriBevco, maker of the Nutra Rich shake, is shipping this month the Premium Nutra Rich Shake Protector Series II shake, a dense formulation of vitamins and other ingredients being marketed to seniors as a product for fighting cardiovascular disease and cancer, according to president Jim Rafferty.

At Revco, Ultra Slim Fast and Slim Fast sales increased 100 percent in 1989. While not coming close to that rate of increase, appetite suppressants also posted favorable growth compared to other OTC categories, said Jeff Doshan, Revco's vp-general merchandise manager.

Meal replacement sales, said Doshan, went "off the charts." During the year, the chain moved from a four-foot to an eight-foot section. For periodic promotions, a second eight-foot section was added for meal replacements.

Doshan said that this year the Slim Fast line will likely be among a group of products Revco will feature in its seasonal-promotional area off-season.

For Revco and other chains, the supercharged success of Slim Fast produced supply problems during the year. Buyers hope that Thompson's move last month to create a separate company — Slim-Fast Foods — will improve inventory flow.

"We have had a difficult time [in 1989] staying in stock. . . . We were out of stock at store level and at the DC," said Doshan.

Meal replacement sales have eclipsed those of appetite suppressants. Above is a Washington, D.C., Peoples display.

Anticipating strong sales in 1990, Revco now has "a good in-stock level, and we've got a program so we can forecast to a more-than-adequate level," said Doshan.

Harco Drug also faced inventory problems when it received less of the product than it had ordered. The chain got only half the inventory it sought for an August coupon book, and again in October received half an order, said buyer Charles Monk.

Harco's diet aids sales in have doubled in 1989 compared to 1988, which in turn had been a "a down year" from 1987, said Monk.

In some markets buyers said they're being forced to lower margins below the usual 20 percent to 30 percent to compete with Wal-Mart and K mart. Wal-Mart in one market was selling Slim Fast at $3.97 and Ultra Slim at $5.49.

The items' fast turns have created profits.

Verschleiser asserted that Slim Fast last year turned 14.7 times in six months, returning $5.33 for every dollar invested in inventory, compared with 5.2 turns for other dietary aid items, which returned $1.72 per invested dollar.

Rx-to-OTC switches continue to drive cough-cold category

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Set includes:
1 - 8" x 10"
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From negative 9.99
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Photo Greeting Cards

Slim line photo card made from your color negative.

20 cards 7.99
40 cards 14.99
60 cards 21.99

Envelopes included.

Retailers consider cough/cold the 'Plus' market, due to line expansions. Above is a Hook's Drugs circular.

Cough and cold products, a perennial leader in drug store OTC sales, are expected to continue their upward sales trend as manufacturers and retailers prepare for the '90s.

In 1990 alone, marketers anticipate cough and cold sales gains of 20 percent to approximately $2.2 billion.

With many OTC cough and cold products slated to be switched to Rx status in the next decade, retailers will have to find shelf space to accommodate the new products.

"The switches are what really drove the category in the decade," Paige Ilderton, buyer for Kerr Drug Stores, said.

Another factor that will fuel the growth of the category is the grouping of allergy products with cough and cold products in consumers' minds. Many cold sufferers will continue to take an allergy product for their colds, and vice versa. This interchanging of product has helped boost cough and cold sales in the summer months.

Increasing medical costs and a continuation of the trend toward self-care will also have a positive impact on the growth of cough/cold product sales. "The price of going to see a doctor and getting a prescription is increasing," said Jan Stoffers, OTC buyer for Lewis Drug Stores. "Most customers will now try an OTC [remedy] before they spend the additional money to go to the doctor."

Picking up on the self-care movement, manufacturers are spending more advertising dollars which, in turn, increases consumer awareness of product availabilty. "People are more aware of their health than ever," said Norman Klein, buyer for Rockbottom Stores, a deep discounter based in New York. "They have the same symptoms that they did 50 years ago, but through advertising and promotion, they are becoming more knowledgeable."

Many retailers refer to this category as the "'Plus' Market," due to the expansion of existing product lines. There seems to be a "quick fix" for almost any ailment.

"You have a kind of product for anything you need: regular, maximum, maximum plus, maximum one, maximum two," Lewis' Stoffers says. "A lot of these companies are just duplicating themselves. There are new introductions right and left. I think that eventually the retailers will end up dropping the earlier versions, because they're going to start losing on them."

Rockbottom's Klein thinks that manufacturers are really creating the market. By developing line extensions, manufacturers believe they can garner greater shelf space. "This makes the people more aware of a particular line of product and persuades them to buy it."

Projected sales of cough/cold remedies, by product segment

(In millions)

Product Segment	1988		1989		1990	
	Dollars	Units	Dollars	Units	Dollars	Units
Cold	$1,250	332	$1,330	344	$1,415	358
Cough	557	376	561	366	565	356

Source: Packaged Facts

Chains build sections to snare burgeoning home office market

The headlong growth of discount office supply superstores across the country hasn't been lost on drug chain operators, who cultivate their home office departments as if they were gardens of prize-winning roses.

To claim their share of this burgeoning business, chains are expanding their home office selection, including more items in ads and pruning merchandise for maximum yield.

Conventional drug chain merchandisers know they can't offer the huge assortments and bulk packs that an Office Depot or a Staples can field, and many say their target customers differ: specialty megastores cater to small- and mid-size office needs, while drug stores go after the home office customer.

"We tailor our home office assortment to fit drug store needs," said Chuck Bower, a former Peoples Drug buyer who recently joined Kerr Drugs' buying staff. "Mead's Cambridge line fits well in drug stores," he noted as an example, adding that staples such as file trays, filing boxes, portfolios and upgrade legal pads lend themselves to the drug store format.

Bower said he'll be working to group home office items, rather than scatter them through the stationery department.

Some other chains are taking a similar tack. A buyer at a Northeastern drug operation, for example, designates an 8-foot home office section adjacent to stationery, so customers "don't have to search among the Snoopy folders for home office items.

"We started building the home office segment about three years ago and analyze movement year-round, culling once a year," he said. That's turned up some duplicative efforts: for example, upgrade expandable envelopes with Velcro closures weren't moving well and were dropped, leaving the less expensive, elastic-banded basic variety that customers preferred. The chain also cut its series of ledger books, discovering that customers tended to shop stationery supply houses for their very specific ledger requirements.

A buyer at a Northeastern drug operation, for example, designates an 8-foot home office section adjacent to stationery, so customers "don't have to search among the Snoopy folders for home office items.

But the chain doubled its typewriter ribbon selection to include cartridge and film-type ribbons with good results. Among other good performers are the Cambridge home office items, electric pencil sharpeners, Pendaflex file folders, hanging files and desk drawer items.

"Chains such as Staples haven't affected us much," he said suggesting that such operations have probably hurt regular stationery supply stores more. "For non-bulk items, shoppers come to us," he said. With the limited space available, it's essential to maintain a cross-section—some school supplies, arts and crafts and home office, he added. The chain houses the stationery-home office department on a side wall, where extra height makes the allotted 44 feet equivalent to 60 feet on a gondola.

The wave of the future?

The joint-venture Drug Emporium stores in Jacksonville, Fla., also position the department on the wall. Home office, which was expanded last spring, "is the wave of the future," Bill Emerson, vp-director of merchandising, maintains. He added that some upgrade home office products, such as leather attache cases, made popular gift items when featured in corporate's Christmas 1988 gift guide, which circulated to 240,000 Jacksonville households.

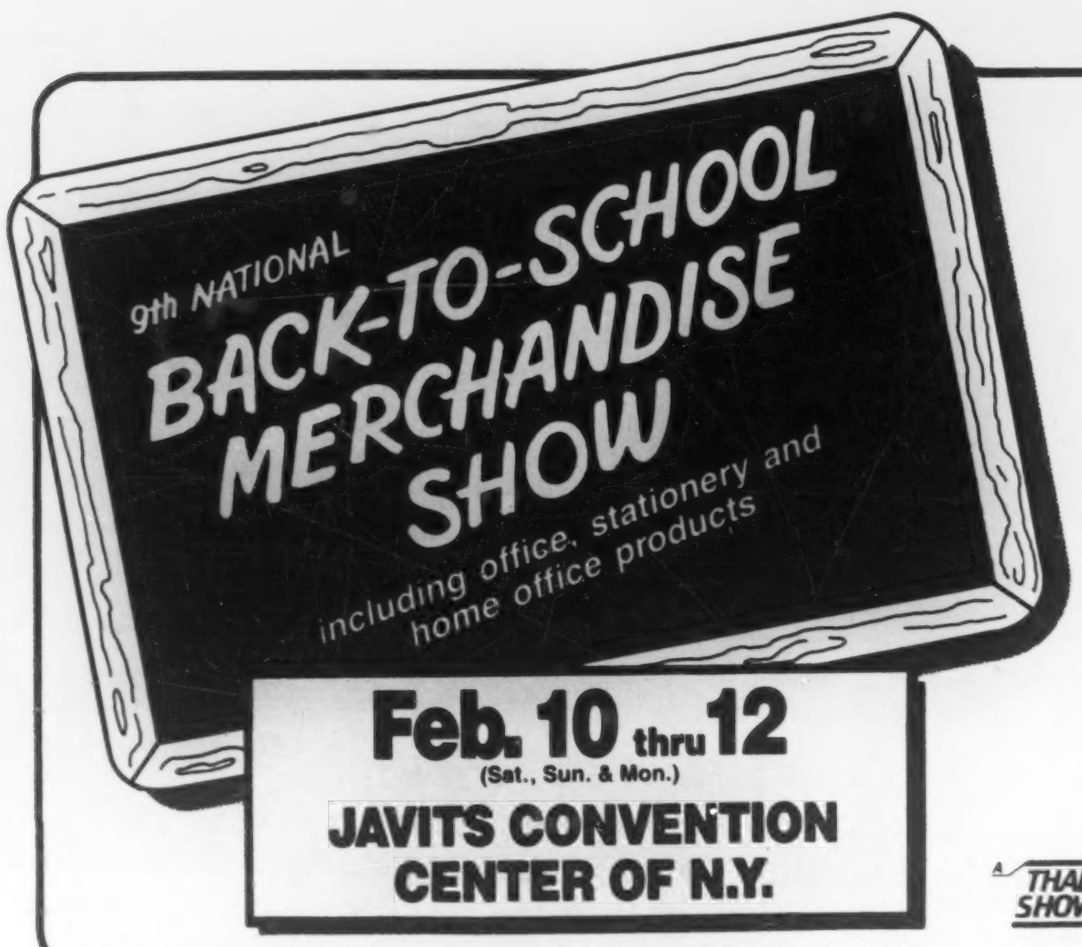
Reliable Drugs, the new Midwestern drug chain, plans strong expansion for home office, which Tony Montini, senior vp-purchasing and merchandising, desribes as a "very vibrant" segment. The chain is looking to develop such areas as fax paper and computer supplies and will be seeking ideas at the February Back-To-School Show to apply when the whole department is reset this spring, Montini said.

A year-old Phar-Mor store in Harrisburg, Pa., features the deep discounter's major expansion of office supplies department, which offers many items in bulk. Customers can also use the chain's new catalogs to order from a more than 3,000-item inventory.

At Revco, the home office segment of the stationery department has contributed to the category's double-digit annual growth, which has come largely from maintaining in-stocks (by keeping on top of inventories and giving stores more guidance) and from advertising, said Joe McKinney, divisional merchandise manager. Revco includes stationery items in every ad, and is stepping up tax-time advertising, which starts the end of December and continues through March. Among good sellers are inexpensive calculators, spelling checkers and phone cards.

The chain keeps a tight focus on home office rather than being "all over the board," McKinney added. Although Stuart Hall's fax paper hasn't caught on yet with customers, McKinney praised the manufacturer's support, noting, "They're real good to work with."

Kerr Drug also gives tax-time advertising its due, seeing this ad period as "the best opportunity to inform customers that we're in the home office business," said Bower.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TRENDS

Ten Hot Categories: Film

Film category boasts double-digit gains plus high-turn rates

Film continues to develop as a proven performer at the front end of the chain drug store, with high turn rates making up for relatively slim margins in an increasingly competitive market.

For the second year in a row, chain drug buyers and merchandise managers rated film as one of the 10 hottest categories. Their faith in the film category is well-grounded, given the double-digit sales gains film has made in recent years.

"We look for good sales growth this year from all our [film] vendors, and I'd be happy but not surprised at a five to 10 percent gain," noted a spokesman for Perry Drug Stores. "Film's really a 'turn' category for us; where the margins are narrow, but the turns are very high."

"Film margins are not great; the margins are in developing," added a spokesperson for Smith's Food & Drug Centers in Salt Lake City."

Three key forces

The healthy sales gains most retailers expect to continue in the 1990s are still coming from three key forces: the continuing boom in 35mm amateur photography, new product development from the big film manufacturers, and continuing strong promotional support from both the manufacturers and the retailers.

At Kinney Drugs in upstate New York, for example, film sales benefit from heavy chain support, according to buyer Jerry Houghton. The category is featured in "every major circular, every two or three weeks," Houghton said, and was given a second location last spring when Kinney added a spinner rack from Kodak near the front registers.

"Since we added the spinner, film sales are up, no question," Houghton told Drug Store News. "I'd say Kodak's sales are up nine to 10 percent since we put it in."

Kinney carries just two brands, Kodak and Fuji, and reaps "average" margins of about 30 percent, according to the buyer.

Perry has also added a Kodak spinner rack on an "almost permanent" basis, according to a company source. The chain's biggest gains, however, came after it made film a self-service category, with four to 12 linear feet of in-line positioning in "a high-traffic aisle," the spokesman said.

Film sales benefit from heavy chain support, especially by being featured in circulars.

"Film is a demand item, with a lot of impulse buying, and the more you feature it, the more it moves," he said. "It goes hand-in-hand with photofinishing; the more film we sell, the more we get back for photofinishing, and vice-versa."

The buyer credits the 35mm boom for much of the category's growth. "Point-and-shoot cameras, that's what pulling people in," he said. "The 35mm format isn't as sophisticated as it was a few years ago."

At Arbor Drugs, Perry's hometown rival for the greater Detroit market, film and photofinishing sales were up 21.3 percent in fiscal 1989, to $22.1 million.

"Film is a very sizeable franchise for Arbor, and there's a very strong commitment in terms of replenishment and support," said an Arbor spokesman.

New promotions

Film manufacturers themselves are keeping the sales pot boiling with massive ad support and new product developments. In the last year, two of the biggest suppliers overhauled their product lines—Kodak with its new Kodacolor Gold series and Fuji with its Super HR film.

Meanwhile, Polaroid is bankrolling last year's launch of its OneFilm all-purpose color film with another multimillion-dollar ad campaign in 1990. And Konica is attempting to build on its estimated 1.5 percent market share with its first-ever series of television ads to boost brand name awareness.

Despite intense competitive pressures from Kodak and Fuji, OneFilm is making inroads in some markets, according to chain drug buyers.

"OneFilm is doing surprisingly well here," said a combo chain buyer in the Southwest. "The initial ads helped, but it's too early to tell how it will do long-term."

One new product development that may spark additional business late this year will be the introduction of Kodak's Stretch 35 camera. The camera, loaded with a 12-exposure roll of Kodacolor Gold 200 film, is designed as the first panoramic one-time-use camera for capturing broad, scenic views.

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Ten Hot Categories: Batteries TRENDS

Batteries are still making waves through niche marketing

For the second straight year, chain drug buyers put batteries into the top 10 list of *Drug Store News*' Hot Categories Study.

The reason is simple: batteries are ultra-competitive, but they fly off the shelves. This year, well over 3 billion of them will move past the registers for the nation's retailers, and drug chains will again be in the thick of the promotional slugfest for market share.

"Batteries have always been a traditional volume category and they've become a dynamic end of the business," noted a spokesman for Perry Drug Stores, which frequently promotes batteries in secondary store locations. "They're a disposable, high-impulse, consumable item with fairly low margins but tons of dollar volume."

"I get an increase in battery sales every year," added Mike Gentry, assistant vp for Crown Drugs in Advance, N.C.

"Batteries move very well, and price doesn't matter that much," added Bob Tansle, a store manager for Sid's Get It For Less in Canton, Ohio. "People are going to buy them whether we get them on deal or not, because they need them."

Indeed, a host of consumer electronics products have found their way into consumers' lives in the past decade — products that weren't around a few years ago, but which have given rise to enormous marketing opportunities. The revolution in consumer electronics — including camcorders, portable tape decks, boom boxes, electronic games, point-and-shoot 35mm cameras and other items — has fueled the rapid escalation in demand for batteries and made the category one of the most competitive in chain drug retailing.

According to Eveready Battery Co., more than 230 million portable audio units are in use now in the U.S., and they alone account for more than 40 percent of batteries sold each year. Toys and games account for another 21 percent of battery sales; flashlights and lanterns generate 17 percent; and photo accounts for 12 percent of the total market.

Another manufacturer estimates that the average U.S. household now carries nine or 10 battery-operated devices, and makes 22 to 25 battery purchases a year.

Equally significant, says Eveready, the high-end, long-lasting alkaline segment of the market is up more than 60 percent in the past six years, to well over $2 billion in annual revenues.

Sales gains for the rechargeable segment of the market have been even hotter in recent years. Rechargeables have been the fastest-growing end of the market over the past four years, according to Eveready. The booming demand is drawing new entries into an already competitive field, which already includes major manufacturers like Eveready, Duracell, Rayovac, GE and others.

Retailers get a charge from the 'tons of dollar volume' batteries generate. Above, a display at a Harrisburg, Pa., Phar-Mor.

One new entry is the Millenium Power Cells line from Gates Energy Products, which already supplies private label rechargeables and most of the batteries for the western world's satellites. The line, which features a full range of battery size, will launch with a major ad campaign and a lifetime replacement guarantee.

Meanwhile, competition in all battery segments has turned into a retail and supplier slugfest. "It's a promotionally driven category, and very, very competitive," said one chain buyer. "The deep discounters have had a big impact on the market."

Among manufacturers, the competition is just as intense. With Eveready and Duracell still the dominant forces, newer entries from Kodak, Panasonic and others are battling for a share of retail real estate to stake positions.

"Kodak is doing very well in our store, and Panasonic does fine when we bring it in on an in-and-out basis," observed Tansle of Sid's Get It For Less. "We carry Eveready but we aren't stocking Duracell right now, because we don't need two Cadillacs."

For both manufacturers, the battery market has become a constantly rotating series of promotions, including on-pack rebates, heavy print and TV advertising, coupon drops and other inducements.

Packaging has not escaped the competitive efforts of suppliers. In June, Eveready will begin shipping product in its new, shrink-wrapped Space-Pack and Family Pack, which cut package size to one-third that of blister packs for better space management.

Rayovac made a similar move four years ago, when it launched its SmartPack high-density packaging. Even so, Rayovac has a way to go before it achieves full penetration in the chain drug arena.

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brought out pallet displays. They told us they were something new. We just smiled.

Merchandising Maniacs

Next Fuji hauled out merchandising programs, coupons, sweepstakes. They even had different packaging configurations for supermarkets, drug-stores, wholesale clubs, discount stores... It just went on and on.

Then, just as we were getting used to it all, Fuji brought us out something that made our heads spin.

Into the dump bin

Fuji called them *free standing displays*. They talked about moving product. All we could think was 'At last! *Dump bins*! Buckle your seat belts! Now our careers are in permanent fast-forward!'

Life in the dump bin was all it was cut out to be and more. Retailers were agog as we flew out of the stores . They'd never seen

shocking story videotape!!!

TRENDS | Ten Hot Categories: Greeting Cards

New products, promotions and variety entice card buyers

Drug stores enjoy about a 23 percent share of the $4.2 billion in retail greeting card sales estimated for 1989. They look to new products, effective promotions and assortments better targeted to their clientele's needs in order to enhance a category that, for many chains, generates double-digit annual growth.

A number of chains have also heeded card manufacturers' urgings to put cards up front as a means of boosting sales because, as one buyer put it, "Cards live off traffic." And indeed, prominent positioning has paid off in increased sales and profits for those who made that move.

Some chains are going to an increased number of shorter runs, rather than one long run of cards, to create a more "department-like" effect. The recently remodeled joint-venture Drug Emporium stores in Jacksonville, Fla., for example, went from 40-foot facing runs to four 20-foot runs positioned 15 to 20 feet from checkout.

Moving to the front

Reliable Drugs, the new Midwestern chain headed by Roger Grass, will move the card department from the rear to the front in reset stores and will have half valleys rather than one long run, said Tony Montini, senior vp-purchasing and merchandising.

While card promotions have been an effective way to pull traffic and encourage multiple sales for many chains, some are becoming more selective in the card promotions they use. Revco, for example, has the whole promotional process under review to ensure "there's the right kind of payback," said Joe McKinney, Revco's divisional merchandise manager. "Without good measurements of results, retailers aren't going to participate in promotions."

Another chain, Standard Drug of Virginia, reaped a good response from a free-earrings-with-purchase promotion it ran last Christmas in conjunction with American Greetings, but was able to trim costs of a similar promotion significantly this year by

Continued on following page

Card companies pay close attention to the demographics of card buyers and vary their assortments to appeal to all — from the very young to senior citizens looking for greeting cards with traditional sentiments.

January Deal: **1 Free W/11** Off-Invoice from major wholesalers or Campbell

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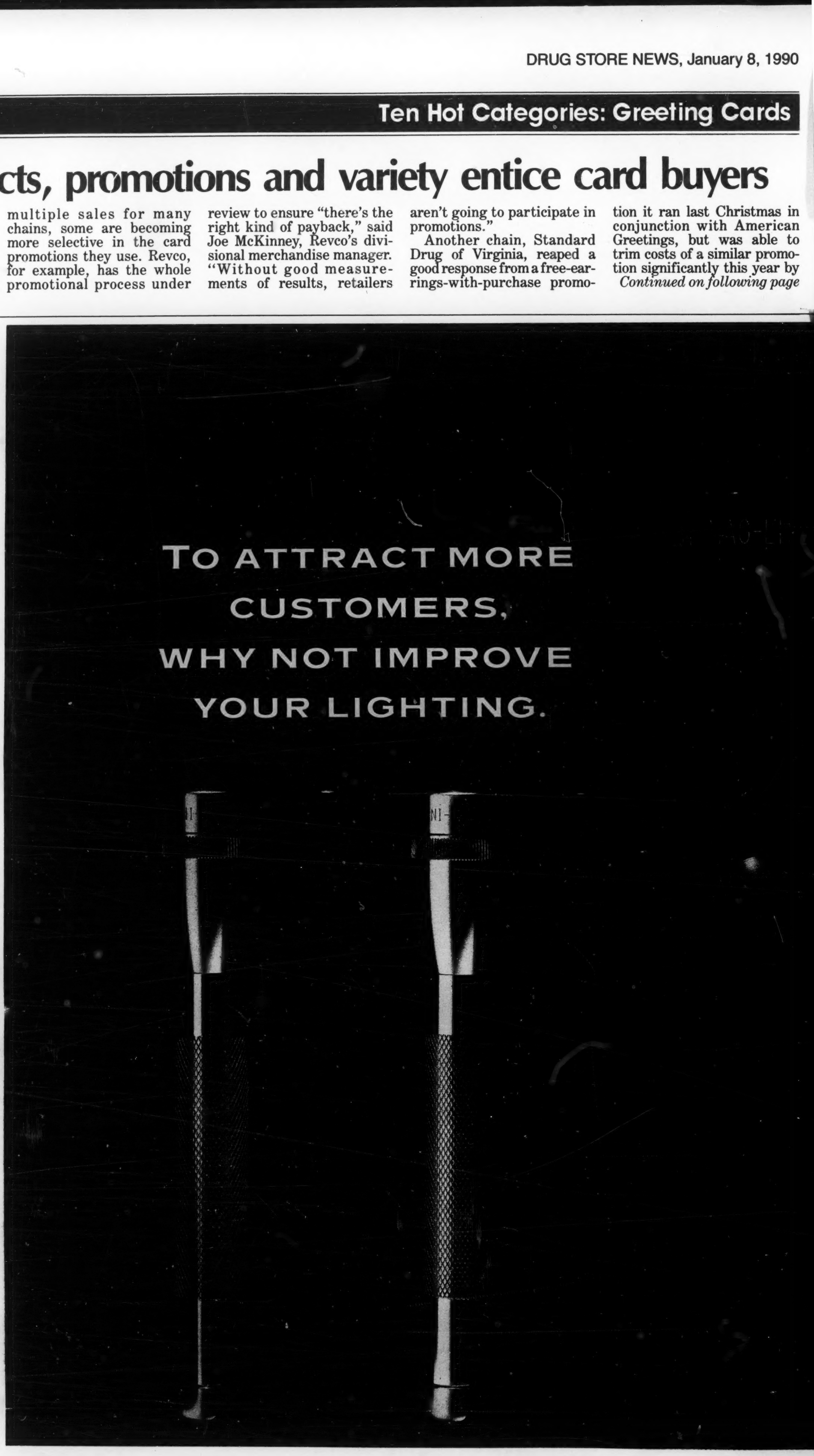

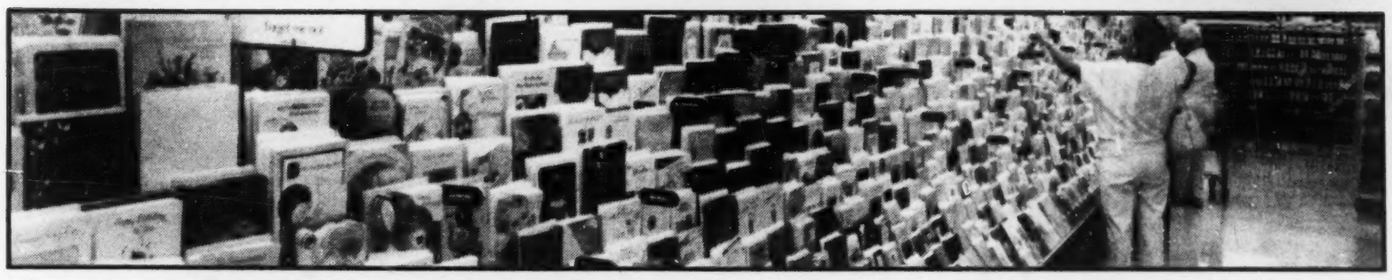

Deep discounting of greeting cards have helped give drug chains a 23 percent share of the business.

Chains battling for share of the greeting card market

Continued from previous page
doing it alone. This Christmas, Standard developed its own POP materials and ads and bought imported faux diamond earrings to give away with a purchase of any American Greetings products totalling $2.50.

"The customer response was great and it met our objective, to create a little excitement for the department," said merchandise manager Richard Lazenby. Standard also developed its own Mother's Day promotion this past year, giving away a silk rose with a card purchase.

We're looking to do more promotions to increase traffic this year," said the greeting cards buyer for a Northeastern chain that has experienced double-digit growth in cards for five years running. He added that his chain has had good results with such promotions as giving away tumblers with card purchases at Halloween and offering a copy of the book "A Christmas Carol" by Charles Dickens "far below retail" with product purchases at Christmastime. The chain has also found that contests awarding individual, smaller prizes at store level create more customer good will than does giving away one big prize.

Discounting cards

Several operators of conventional drug store chains said they don't discount cards because, as one buyer said, "there's no in-between. You either have to offer at least 40 percent off or full price."

We don't discount cards because you have to discount big to move additional product—not just 10 to 15 percent—or you're just giving away gross," said a Northeastern chain buyer. "That falls to an operator like Drug Emporium." The Jacksonville Drug Emporiums have gone from a 40 percent to a 50 percent discount on cards.

Although Reliable Drugs, which carries Gibson, doesn't discount cards everyday, Montini said that as part of its ongoing storewide Bonus Buy program, the chain offers temporary (perhaps 30-day) price reductions on cards, either by a percentage or with coupon, geared to peak times of the year. "We'll pass along manufacturer allowances to our customers," he said.

Among new products that chains report are doing well are American Greetings' "Couples" line and fashion bags and matching boxes that address busy consumers' gift-packaging needs.

With all the bright ideas being given to retailers these days about how to increase sales, we thought you could use a brilliant one. Carry Mag-Lite® flashlights; the products with proven turns and profitability.

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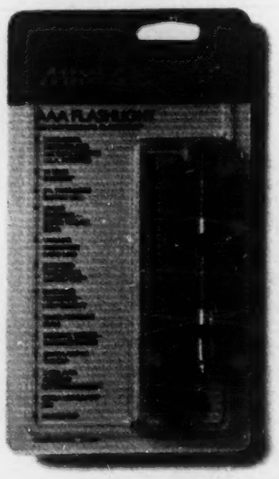

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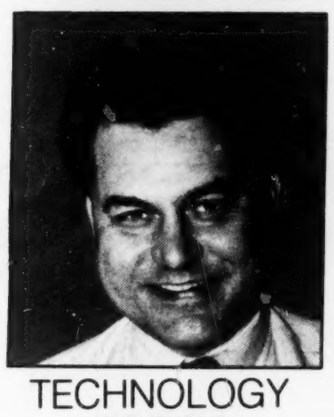
'Expert systems' face acceptance problems



TECHNOLOGY TODAY
DAVID VACZEK

Continued from page 1

planner."

The program writers interviewed experts and included their ideas and rules in the program. To measure subjective areas—such as the weather's influence on sales, "certainty factors" are used. They tell the degree of confidence in the likelihood of an event occurring.

"It's sort of like a detective. [The program] compiles a little evidence here, a little evidence there [and builds to a conclusion]," said McCann.

The end user ideally is provided with a "no brainer," a ready-made decision.

"Conceptionally, it's a big leap. Your taking a lot of responsibility away from the merchandiser. [But] there's a huge opportunity here," says Mike Neal a senior consultant at Touche Ross.

The opportunity is in "micro-marketing"— targeting the sales effort on a store level, aided by data captured through electronic POS.

Rather than making a dozen decisions at headquarters for an "average store" which are rolled out chainwide, the chain suddenly has the opportunity to make hundreds of decisions, store by store. Computer-delivered expertise could help store-level employees make the right choices.

There are but a few systems in use today.

Associated Grocers, a Seattle-based wholesaler, is testing a system for promotional and forward buying developed for it by Touche Ross. Touche Ross interviewed a senior buyer to build a data base of his expertise on things like products' health impact, buying trends, and advice on when to buy.

"One of the main reasons we bought it was for use when senior buyers go on vacation," said Margaret Halliday, a progammer with Associated Grocer.

Upon query, the program tells the user whether to buy a product and how much to buy. If asked, it provides its reasoning, which could take into account subjective facts such as vendor relationships, or seasonality.

Two problems have emerged. The pc-based system has been unable to get online access to all the mainframe-resident data bases it needs, says Halliday.

Credibility to come?

Also: "It's been awkward because nobody really looks at it except as an experiment. I guess it never established its credibility," Halliday said.

Just as the thought of a computer outperforming the human mind made Gary Kasparov touchy, many merchandisers will be skeptical when computers not only support, but also make decisions. Yet that day is creeping closer.

As one top manager at a major drug chain which is automating many functions told me, "It's not a very popular notion that people are going to be replaced by systems.

"[Yet], we can help [decision makers] to know what worked and didn't work; take the risk out of the decision."

Correction

Because of errors in keying data, a number of items were omitted or misplaced in the Triple A Study of best-selling H&BA and general merchandise products (*Drug Store News*, Sept. 11, 1989). They included the following:

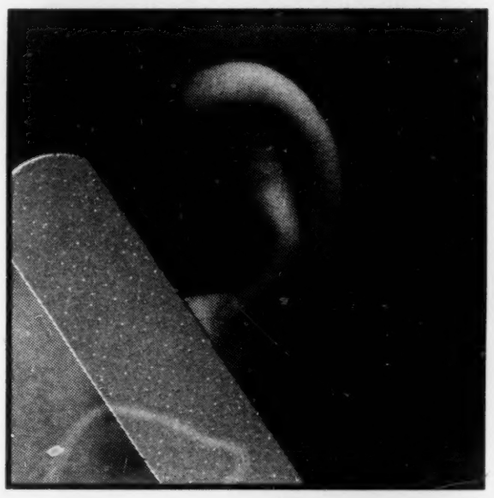
Trojan-Enz lubricated 12s, listed as No. 54 on the H&BA item movement list, was omitted from the dollar list. It should have been included among the top 30 in dollar volume.

Afrin nasal spray 15cc, listed as No. 100 based on dollar volume, should have been moved up to among the top 50 items in dollars.

Mylanta II was omitted from both unit and dollar lists; it should have been listed among the top 50 movers in both units and dollars.

Polaroid T-120 VHS videotape should have appeared among the top 60 movers on the general merchandise unit list and among the top 100 in dollar sales.

Ultra Slim Fast should have been listed among the top 50 items in H&BA dollar sales.



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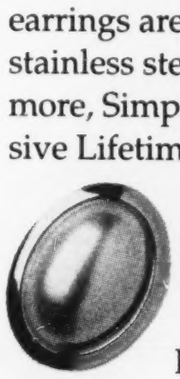
Today, millions of women have a new buying motivator – their health. Half of all pierced earring wearers suffer from rashes, itching and torn earlobes caused by their earrings. Your customers insist on earrings that are fashionable, yet comfortable and safe to wear.

The solution? Simply Whispers!

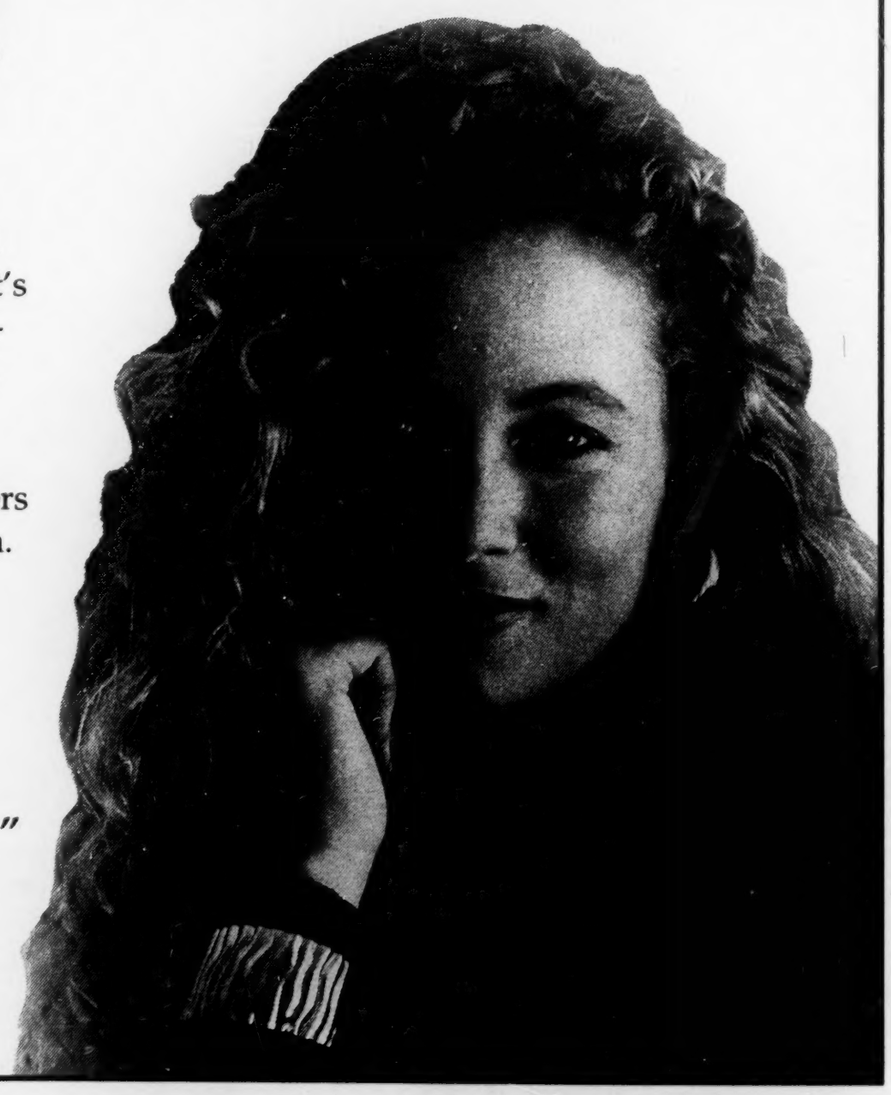
Simply Whispers by Roman Research is the most complete line of truly non-irritating fashion earrings. While some makers claim their earrings are hypo-allergenic, they are not. Most use stainless steel or plastic only on the earring's post. All Simply Whispers earrings are crafted *entirely* of 100% surgical stainless steel for lightweight comfort. What's more, Simply Whispers come with an exclusive Lifetime Guarantee against discomfort.



What this means for you is a collection of earrings that is in demand, creating loyal customers who will return again and again. For millions of women, Simply Whispers is the only alternative. And because we sell direct to the retailer, our healthy earrings add up to a healthy profit for you.

Can you afford to ignore this healthy trend in the earring market? Call Roman Research toll-free today and discover how the safe, comfortable Simply Whispers earring line can improve the health of your bottom line.

Simply Whispers for healthy profits.



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FINANCIAL

Climbs in net, revenues in Rite Aid's 2nd qtr.

SHIREMANSTOWN, Pa. — Rite Aid corporate revenues gained 14 percent to $791.7 million, and net income increased 35.8 percent to $22.5 million, or 54 cents a share, for the third quarter ended Dec. 2.

Included in the net income is an $18.4 million after-tax gain from the sale of the company's 46.8-percent interest in Super Rite Foods Inc.

Excluding a $22 million write-off to provide for the chain's video department closings, income from continuing operations was $17.5 million, up 10.7-percent over last year's period. After the pre-tax charge, income from continuing operations was $4.1 million, or 10 cents a share, down from $15.8 million, or 38 cents a share, in the prior-year period. This charge reduced income from continuing operations by an after-tax amount of $13.4 million, or 32 cents a share.

Revenues from the drug store segment, which operated 2,340 stores on Dec. 2, advanced 13.7 percent to $749.0 million for the third quarter. Net income before the video provision was up 12.1 percent, to $16.5 million.

Year-to-date, corporate sales gained 13 percent, to $2.3 billion, and net income increased to $67.1 million, or $1.62 per share, from $59.1 million, or $1.43 per share.

Drug store segment sales for the 39 weeks contributed $2.2 billion, compared with $1.9 billion for the period last year; net income, excluding the video provision, gained 4.9 percent, to $56.9 million.

Revco's 2nd qtr. sees sales, op. income hikes

TWINSBURG, Ohio — With 46 fewer stores in operation compared to this time last year, Revco D.S., Inc. reported an 8.6-percent increase in sales, for the second quarter ended Nov. 12, to $620.9 million. Net loss for the quarter decreased to $8.7 million, from last year's $17.9 million, and operating income rose to $7.2 million, from last year's $9.7 million loss.

For the first six months of the year, Revco's sales improved 5.5 percent, to $1.22 billion, and operating income rose to $2.1 million, from last year's $20.9 million loss.

As Revco entered the holiday selling season, improved inventories contributed to the 9.1-percent increase in comparable store sales posted for the six-month period.

MARKET DIARY:

Largest Dollar Gainer	Penney, JC	$ 4.00	Advances	18
Largest Dollar Loser	Marion Labs	$ – 9.25	Declines	37
Largest Percentage Gainer	Pharmaceutical	25.00%	Unchanged	2
Largest Percentage Loser	Ketchum	– 42.31%	New highs	17
			New lows	7

	Close 11/28/89	Close 12/26/89	Net Change	Percent Change
Drug Store News Index	2966.20	2877.83	– 88.37	– 2.98
Dow Jones Industrial Average	2702.01	2709.26	7.25	0.27
Standard & Poor's 500-Stock Index	345.77	346.81	1.04	0.30
N.Y.S.E. Composite	191.34	191.72	0.38	0.20
Value Line Index	258.81	254.60	– 4.21	– 1.63

Source: Nordby International Inc., Boulder, Colo.

Exch	Company	Ticker Symbol	Closing Price 11/28/89	Closing Price 12/26/89	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	19.00	22.25	3.25	17.11	21	0.16	0.72	24.75	9.00
OTC	Big B	BIGB	12.88	12.38	– 0.50	– 3.88	18	0.16	1.29	15.25	10.63
OTC	Drug Emporium	DEMP	7.88	8.00	0.13	1.59	11	0.20	2.50	16.38	7.75
NYS	Fay's Inc.	FAY	11.75	10.50	– 1.25	– 10.64	14	0.20	1.90	15.00	8.63
ASE	Genovese Drug	GDX.A	10.50	9.75	– 0.75	– 7.14	14	0.24	2.46	12.88	8.75
OTC	Leroy Pharmacies (L)	LERY	3.63	3.13	– 0.50	– 13.79	– 24	0.00	0.00	5.38	2.88
NYS	Longs Drug Stores (H)	LDG	43.88	44.25	0.38	0.85	15	0.96	2.17	48.50	34.50
OTC	Medicine Shoppe (H)	MSII	21.67	20.50	– 1.17	– 5.38	23	0.16	0.78	23.25	14.88
NYS	Perry Drug	PDS	9.38	9.38	0.00	0.00	13	0.00	0.00	13.50	6.63
NYS	Rite Aid Corp.	RAD	38.50	30.75	– 7.75	– 20.13	13	0.80	2.60	41.13	30.63
NYS	Walgreen Co.	WAG	44.75	44.63	– 0.13	– 0.28	18	0.80	1.79	50.25	30.00
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	24.88	22.38	– 2.50	– 10.05	13	0.32	1.43	27.25	18.00
OTC	Bindley Western Ind. (H)	BIND	9.88	10.00	0.13	1.27	16	0.00	0.00	10.75	6.75
OTC	Cardinal Distribution (H)	CDIC	22.00	23.75	1.75	7.95	18	0.08	0.34	24.00	12.88
OTC	Durr-Fillauer (H)	DUFM	21.50	24.00	2.50	11.63	15	0.24	1.00	24.00	17.38
ASE	Ketchum (L)	KCH	3.25	1.88	– 1.38	– 42.31	– 1	0.00	0.00	7.63	1.88
NYS	McKesson Corp.	MCK	36.38	34.88	– 1.50	– 4.12	15	1.44	4.13	39.75	29.63
ASE	Moore Medical	MMD	9.13	9.00	– 0.13	– 1.37	– 3	0.00	0.00	15.13	8.25
NYS	Owens & Minor	OMI	12.50	12.38	– 0.13	– 1.00	23	0.24	1.94	15.88	11.25
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	69.88	67.25	– 2.63	– 3.76	18	1.40	2.08	70.38	46.25
ASE	Alou (L)	ALU	2.25	2.00	– 0.25	– 11.11	3	0.00	0.00	3.00	1.88
NYS	American Home Products (H)	AHP	105.50	103.38	– 2.13	– 2.01	15	3.88	3.75	109.38	79.75
NYS	Baxter International (H)	BAX	24.38	24.50	0.13	0.51	17	0.56	2.29	25.88	17.13
OTC	Block Drugs Co. (H)	BLOCA	36.75	37.25	0.50	1.36	15	0.68	1.83	37.50	30.63
ASE	Bolar Pharmaceutical	BLR	16.75	17.88	1.13	6.72	11	0.16	0.90	32.25	12.75
NYS	Bristol-Myers Squibb (H)	BMY	56.50	55.50	– 1.00	– 1.77	20	2.12	3.82	58.00	44.00
NYS	Carter-Wallace (H)	CAR	59.25	57.50	– 1.75	– 2.95	18	0.80	1.39	60.50	39.13
ASE	Forest Labs	FRX	43.75	41.00	– 2.75	– 6.29	32	0.00	0.00	44.50	24.13
ASE	Halsey Drug	HDG	6.13	6.00	– 0.13	– 2.04	19	0.20	3.33	7.13	2.63
NYS	ICN Pharmaceutical (L)	ICN	5.63	5.25	– 0.38	– 6.67	– 25	0.00	0.00	7.00	5.00
ASE	Lee Pharmaceutical (L)	LPH	2.75	2.00	– 0.75	– 27.27	– 11	0.00	0.00	5.38	1.88
ASE	Leiner P. Nutrition	PLI	11.13	10.25	– 0.88	– 7.87	12	0.00	0.00	14.25	8.13
NYS	Lilly Eli Co.	LLY	66.88	66.00	– 0.88	– 1.31	21	1.64	2.48	68.38	42.38
NYS	Marion Labs	MKC	35.38	26.13	– 9.25	– 26.15	54	0.36	1.38	36.63	19.63
NYS	Merck Co.	MRK	78.75	75.75	– 3.00	– 3.81	21	1.80	2.38	80.75	56.25
NYS	Mylan Labs (H)	MYL	22.25	24.13	1.88	8.43	56	0.20	0.83	25.38	7.50
OTC	Newport Pharmaceutical	NWPH	3.44	3.25	– 0.19	– 5.47	– 13	0.00	0.00	6.63	1.75
NYS	Par Pharmaceutical	PRX	5.00	6.25	1.25	25.00	17	0.00	0.00	11.88	3.88
NYS	Pfizer Inc. (H)	PFE	74.50	66.75	– 7.75	– 10.40	15	2.20	3.30	75.75	54.00
NYS	Rorer Group	ROR	44.13	45.88	1.75	3.97	21	0.84	1.83	48.00	36.13
NYS	Schering Plough (H)	SGP	81.00	82.75	1.75	2.16	21	1.80	2.18	86.00	55.38
NYS	Syntex Corp.	SYN	48.75	49.50	0.75	1.54	18	1.48	2.99	54.50	36.50
OTC	Taro-Vit Industries	TAROF	1.38	1.38	0.00	0.00	46	0.00	0.00	1.88	0.94
NYS	Thiokol Inc. (L)	TKC	13.00	12.63	– 0.38	– 2.88	13	0.28	2.22	121.00	12.13
NYS	Upjohn Co.	UPJ	38.13	37.88	– 0.25	– 0.66	19	1.00	2.64	42.13	27.63
NYS	Warner-Lambert (H)	WLA	114.00	113.50	– 0.50	– 0.44	19	3.04	2.68	118.75	74.50
NYS	Zenith Labs (L)	ZEN	0.25	0.19	– 0.06	– 24.80	—	0.00	0.00	2.75	0.19
Other retailer transactions											
NYS	Albertson's	ABS	57.63	55.50	– 2.13	– 3.69	20	0.80	1.44	60.25	36.63
NYS	American Stores	ASC	57.13	56.50	– 0.63	– 1.09	24	1.00	1.77	72.50	52.63
NYS	Giant Food	GFS.A	27.75	26.88	– 0.88	– 3.15	15	0.48	1.79	36.25	22.13
NYS	K mart	KM	35.00	34.13	– 0.88	– 2.50	9	1.64	4.81	44.88	32.50
NYS	Kroger	KR	14.38	14.13	– 0.25	– 1.74	– 8	0.00	0.00	19.75	8.38
NYS	Melville Corp.	MES	46.13	43.63	– 2.50	– 5.42	13	1.28	2.93	53.63	36.13
OTC	Fred Meyer	MEYR	18.00	18.50	0.50	2.78	15	0.00	0.00	23.00	15.63
NYS	Penney, JC (H)	JCP	66.75	70.75	4.00	5.99	11	2.24	3.17	73.25	50.38
NYS	Smith's Food & Drug	SFD	22.50	22.88	0.38	1.67	20	0.20	0.87	25.00	20.50
NYS	Wal-Mart (H)	WMT	43.13	43.38	0.25	0.58	25	0.20	0.46	44.88	30.00

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

NOTE: Medicine Shoppe completed a 3-for-2 stock split; Robins, A.H. was acquired by American Home Products.

Source: Nordby International, Inc., Boulder, Colorado

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TOP OF WEEK

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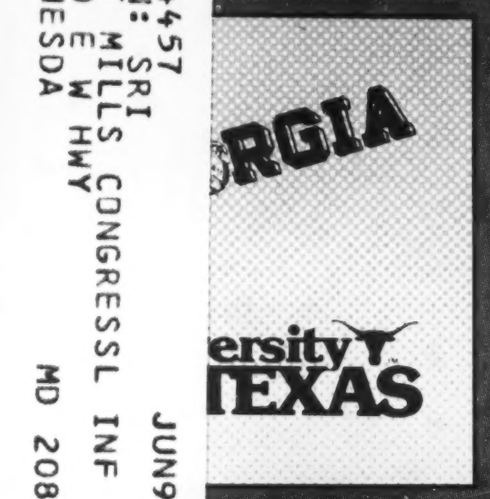

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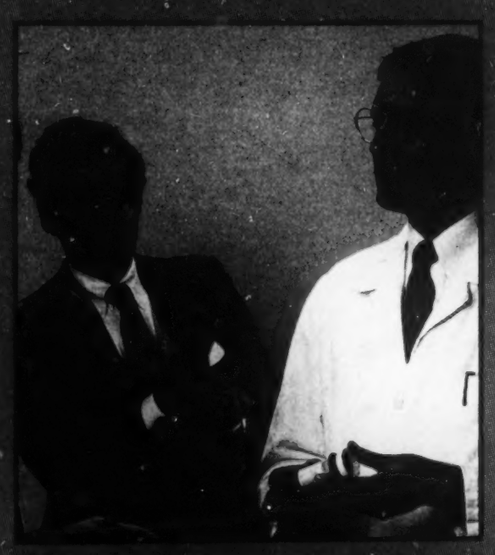

Consultation Seeks a Consensus

If consultation is mandated, would pharmacists put forth a minimal effort just to satisfy the law? Page IP1.

LATE NEWS

- AKRON, Ohio — U.S. Bankruptcy Court here approved a 16-month extension of Revco D.S.'s $145 million credit facility, until June 3, 1991, and continued provisions protecting vendors.
- DEERFIELD, Ill. — Walgreen Co. posted record sales of $1.4 billion and net earnings of $33.7 million for the first quarter ended Nov. 30, 14.5% and 15.9% gains, respectively. Same-store sales were up 10.7%; Rx sales, 11.5%.
- FLAINVILLE, Conn. — A group of 19 chains, including Brooks, CVS, Cervoverse, Walgreens and Rite Aid, has formed the Connecticut Association of Chain Drug Stores.
- SACRAMENTO, Calif. — Teresa A. Miller, Pharm.D., will be interim executive vp of the California Pharmacists Association until Robert Johnson's replacement is named.

Where will McK's buyout of PCS lead?

Johnson

Kennedy

News Analysis

By Susan Ball

SCOTTSDALE, Ariz. — McKesson Corp.'s recent decision to buy the remaining 14 percent of PCS Inc. answers one question—to sell or not to sell its third-party claims processing subsidiary—but it raises others.

The biggest question: Why did it opt to keep PCS, in light of the conflict between McKesson's primary business of serving pharmacies, and PCS's focus on helping insurers cut health care costs through plans that discount reimbursements to pharmacists?

Another: McKesson also has announced it will name Robert C. Johnson, who has gained high visibility as executive vp of the powerful California Phar-

See **McKesson,** *page 33*

Trade group for Canada's chains is set for launch

By James Frederick

WILLOWDALE, Ont. — After months of negotiations and spadework by David Bloom, Imasco Drug Retailing Group chairman, Canada's major drug chains are ready to launch their own national trade organization. The newly-formed Canadian Association of Chain Drug Stores (CACDS), modeled after NACDS, will hold its first meeting in Toronto Feb. 23, Bloom said.

Bloom has been the driving force behind the new organization, meeting at Shoppers Drug Mart headquarters here with Canada's big names in chain drug retailing and with representatives of NACDS to get the new CACDS off the ground. All of Canada's biggest drug chains have agreed to join, and most of the nation's smaller chains are expected to follow.

Thus, the membership list already includes Shoppers,

See **CACDS,** *page 33*

Walgreen says goodbye to Canning

CHICAGO — Freed of non-core businesses and riding a 15-year unbroken string of record sales and earnings, Walgreen Co. will spend $200 million this year on store growth and state-of-the-art support systems, its chairman told a packed house of shareholders at the company's annual meeting here Jan. 10.

In the works for 1990, said Charles Walgreen III, are completion of a $40 million automated distribution center in Mount Vernon, Ill., construction of at least 100 new stores, and major expenditures for checkout scanning, computerized receiving systems and other technological advances.

As in recent years, Walgreen and president Fred Canning were given an enthusiastic endorsement by hundreds of satisfied shareholders as they revealed plans to keep Walgreens at the top of chain drug retailing. In one big respect, however, this meeting was different: it was a sendoff for Canning, who will retire as president Feb. 1.

Canning, given two standing ovations from shareholders, will be replaced by president-elect Dan Jorndt.

"[Jorndt] has the character, the people skills, the hands-on experience, and the enthusiasm to help successfully lead Walgreens into the 1990s and beyond," said Walgreen.

Jorndt will inherit a 1,511-store chain that is poised for continued strong growth. Walgreen is nearing the $2 billion mark in pharmacy sales alone, and continues to add automation systems to handle the increases in third-party business, paperless inventory movement, satellite links, enhanced inventory controls and other improvements. Among this year's programs: scanning in another 400 stores, application of the Strategic Inventory Management System (SIMS) to a second warehouse, and site selection for a new distribution center to open in the Northeast in 1991 or 1992.

Jewel Osco redefines combo stores in Florida

By James Frederick

PALM HARBOR, Fla. — American Stores' first three Jewel Osco combination stores in this state are churning up big sales numbers in the face of intense price competition in the Tampa Bay market.

"We're ahead of our sales budget, and we're delighted with the volume," said Mark Skaggs, Jewel Osco president. "Community acceptance here is as good as we had hoped."

Nevertheless, the new chain has had to make price and value a central component of its strategy, along with oth-

Chain scales down growth plans in market—page 29

er powerful shopping incentives like high service levels; in-store bakery, deli, flower shop and other departments; and an enormous selection of produce, bulk foods, non-foods and specialty items. The reason: three strong

Continued on page 29

Service cosmetics islands, on the store's left side, attract steady attention through a strong in-stock position of name brands, and a brilliant color aisle.

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